



SECTION 2

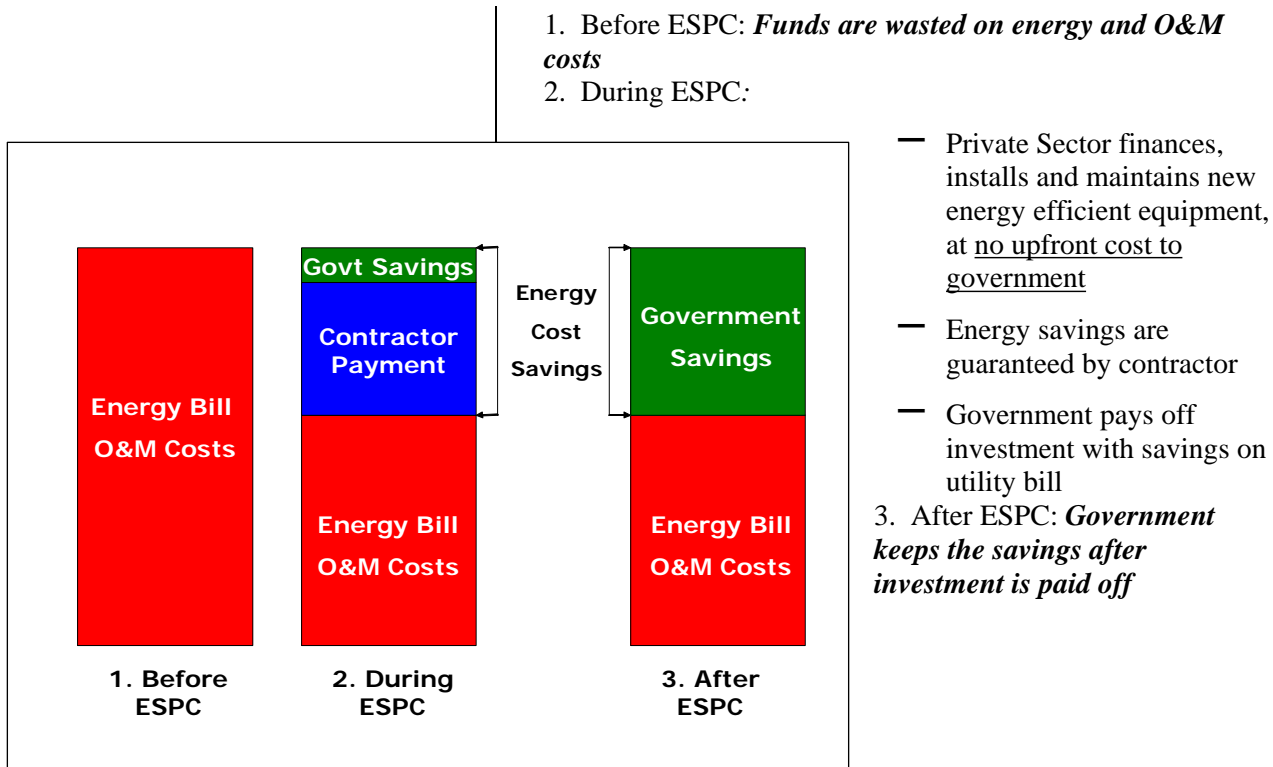
Energy Service Performance Contracting Basics

Why ESPCs are useful, and what the TEAM Initiative timelines are for ESPC projects



SECTION 2: ENERGY SAVINGS PERFORMANCE CONTRACT BASICS

How ESPCs Work



Benefits vs. Appropriations

Congress established the ESPC program in 1992, and reauthorized it to 2016. The program improves the Government's energy efficiency by harnessing private sector resources to provide a flexible, cost effective, market based way to reduce energy consumption without incurring upfront capital costs.

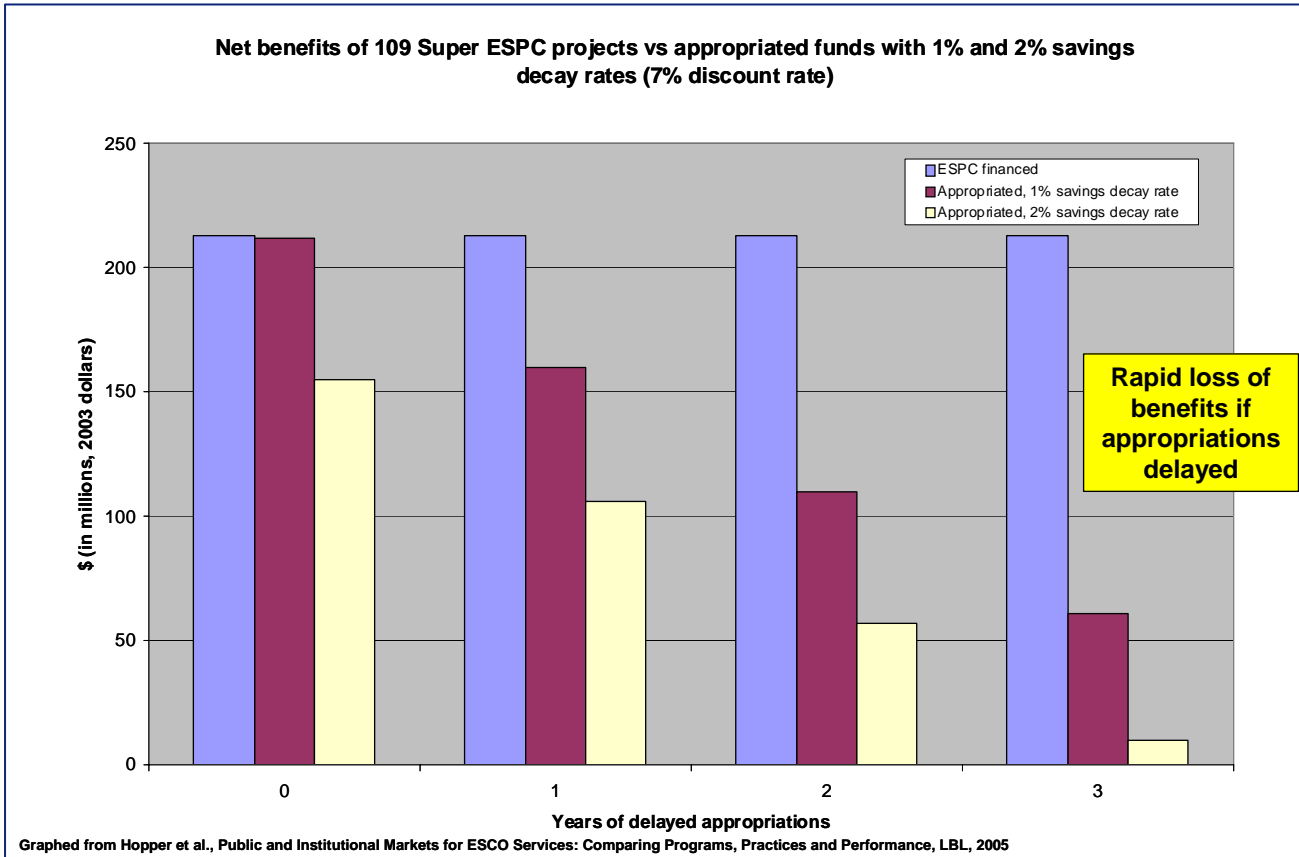
It is unlikely that Congress will place a higher priority on funding retrofit projects in the near future than in the recent past (ORNL, 2002) and most projects do not receive timely, full and up-front appropriations (LBL, 2005).

Delays of more than one year in obtaining congressional appropriations result in reduced net benefits relative to



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ESPC-financed projects. Waiting for appropriations may result in significant lost savings opportunities for Federal Agencies (LBL, 2005).





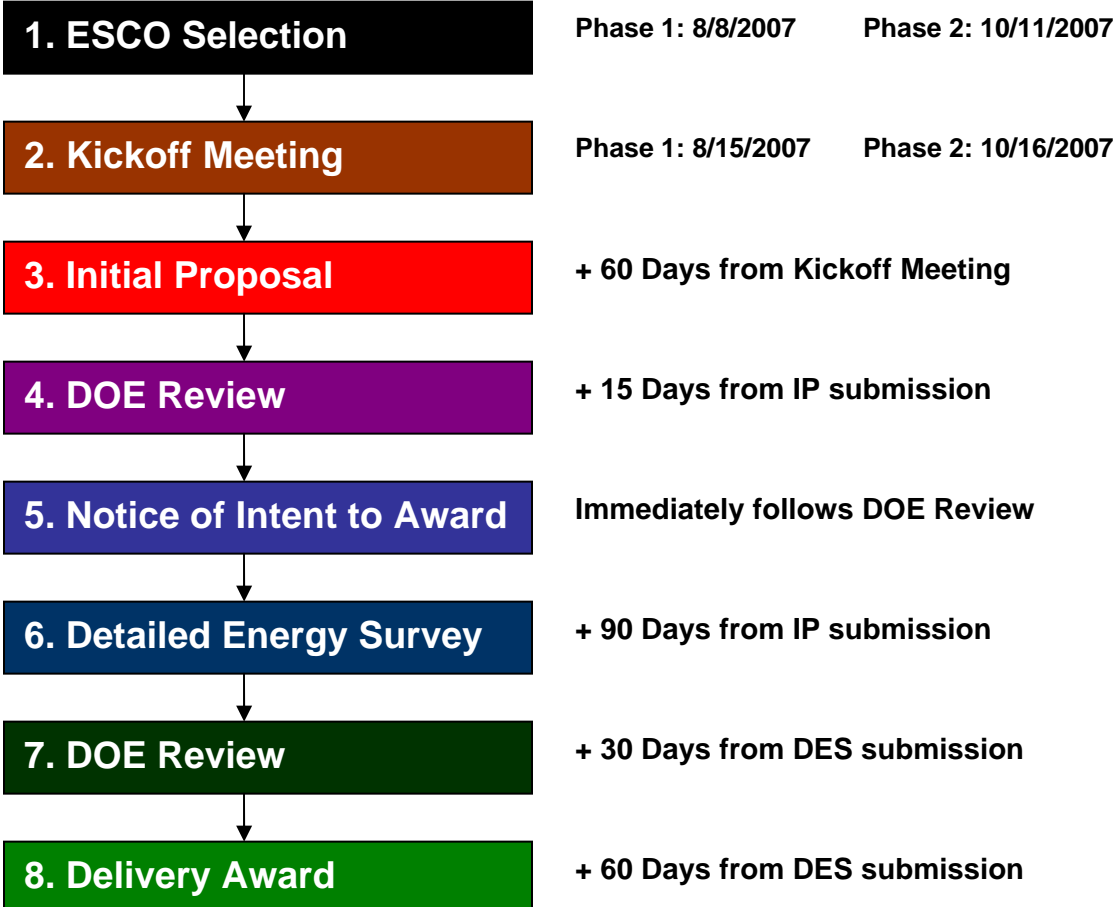
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ESPC Project Timelines

Secretary Bodman has challenged us to complete the TEAM Initiative goals on a drastically accelerated timeline.

In short, the ESPC Process works as such:

TEAM TIMELINE GOALS





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In order to expedite the TEAM Initiative, Energy Service Companies (ESCOs) have been proposed to DOE sites, based on known past experience or familiarity with the sites, or by geographic region that the ESCOs are allowed, by terms of the Super ESPC contract, to work in. All ESCOs have been pre-approved for energy savings performance work at Federal facilities under the Super ESPC contract.

In some cases, the DOE site may wish to select their own ESCO. This is allowed, but sites should bear in mind the overall goals of the TEAM Initiative: to achieve maximum savings at an accelerated pace. ESCO selection may take time and ultimately delay the accomplishment of the Secretary's goals.